
VERIFIED DIRECT TESTIMONY OF KIMBERLY CARTELLA

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1 I. INTRODUCTION

2 **Q1. Please state your name, business address and title.**

3 A1. My name is Kimberly Cartella. My business address is 3101 N. Ridge Rd.,
4 Lorain, Ohio 44055. I am employed by NiSource Corporate Service
5 Company ("NCSC") as Director of Compensation.

6 **Q2. On whose behalf are you submitting this direct testimony?**

7 A2. I am submitting this testimony on behalf of Northern Indiana Public Service
8 Company LLC ("NIPSCO" or "Company").

9 **Q3. Please describe your educational and employment background.**

10 A3. I received a Bachelor of Science degree in Financial Planning from Purdue
11 University. I am a certified Professional in Human Resources (PHR) and a
12 Certified Compensation Professional (CCP). I have worked for NiSource in
13 a human resources capacity since 1999. I have held the position of Director
14 Compensation at NiSource since January 2019. Prior to that, I was Manager
15 of Compensation, Senior Compensation Analyst, Senior Human Resource
16 Consultant, and Executive/ College Recruiter.

1 **Q4. What are your responsibilities as Director of Compensation?**

2 A4. As Director of Compensation, I develop and implement strategies for broad
3 based compensation and incentive programs provided to the employees of
4 NiSource Inc. ("NiSource") and its subsidiaries, including NIPSCO.

5 **Q5. Have you previously testified before the Indiana Utility Regulatory**
6 **Commission ("Commission") or any other regulatory commission?**

7 A5. Yes. I previously testified before the Commission in NIPSCO's most recent
8 gas rate case in Cause No. 45621. Additionally, I have provided testimony
9 supporting compensation and benefits in Columbia Gas of Pennsylvania,
10 Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of
11 Massachusetts and Columbia Gas of Ohio base rate cases.

12 **Q6. What is the purpose of your direct testimony?**

13 A6. The purpose of my direct testimony is to support NiSource total rewards,
14 which includes supporting details for total rewards programs, policies, and
15 philosophies including base compensation/wages, incentive compensation,
16 and employee benefits such as healthcare and dental coverage. I also set
17 forth comparative analyses to establish the reasonableness and

1 competitiveness of the wages, salaries, and incentive compensation
2 provided to employees.

3 **Q7. Are you sponsoring any attachments to your testimony in this Cause?**

4 A7. Yes. I am sponsoring the following attachments, all of which were either
5 prepared by me or under my direction and supervision:

<u>Attachment No.</u>	<u>Description</u>
Attachment 13-A	NIPSCO Non-Union Salary Analysis
Attachment 13-B	NCSC Salary Analysis
Attachment 13-C	Non-Union Merit Increase Market Data

6

7 **Q8. How is your testimony organized?**

8 A8. Section I is an introduction. Section II discusses the Company's overall
9 approach to employee compensation, including base pay (wages and
10 salaries) and incentive compensation as part of total cash compensation,
11 and benefits. Section III presents documentation to support the
12 reasonableness and competitiveness of the Company's compensation
13 expenses. Sections IV through VI describe the Company's union
14 compensation, non-union compensation, merit increases, all incentive
15 compensation, and profit sharing components. Section VII provides

1 detailed analyses that demonstrate that the total cash compensation paid to
2 employees by NIPSCO and NCSC is reasonable and competitive in relation
3 to other utilities and general industry employers in the general areas where
4 NIPSCO operates. Section VIII describes the Company's health and dental
5 benefit plans and associated cost-containment efforts.

6 **II. EMPLOYEE COMPENSATION AND BENEFITS**

7 **Q9. Please describe NiSource's total rewards philosophy.**

8 A9. NiSource's total rewards philosophy is to compensate employees and
9 provide benefits that are competitive in comparison to the utility industry,
10 as well as general industry (non-utility) employers, in order to attract, retain
11 and motivate employees who are qualified to perform the functions needed
12 by the Company. This philosophy enables the Company to meet its
13 obligations to provide safe, reliable, and affordable service to its customers.
14 This philosophy is consistent across all NiSource companies.

15 **Q10. In defining and implementing the total rewards strategy and programs,**
16 **does NiSource obtain any assistance from outside human resource**
17 **experts?**

1 A10. Yes. For compensation and certain health and welfare benefits, NiSource
2 regularly relies on the advice and guidance provided by Mercer, a global
3 consulting leader in talent, health, retirement, and investments. Mercer
4 assists NiSource in setting competitive salary ranges and evaluating and
5 recommending changes to employee health and welfare benefit plans. In
6 addition, Aon and Alight Solutions, global human resource consulting
7 firms, assist NiSource in actuarial analysis and administration of pension
8 and health and welfare benefits.

9 **Q11. What are the various elements of a competitive total rewards program?**

10 A11. A competitive total rewards program includes market-driven base
11 compensation (rewarding employees in a manner that is competitive with
12 the external job market), market-driven merit increases, long- and short-
13 term incentives, profit sharing, and health and welfare benefits. The mix of
14 these elements differs for various levels in the organization. For purposes
15 of my testimony, I will focus on merit increases, long-term incentives, short-
16 term incentives, health and welfare benefits, and profit sharing, which are
17 all included in the total rewards program.

1 **III. REASONABLENESS AND COMPETITIVENESS OF COMPENSATION EXPENSE**

2 **Q12. What analysis have you conducted that confirms the reasonableness and**
3 **competitiveness of NIPSCO and NCSC's wages, salaries, and total**
4 **compensation?**

5 A12. Attachment 13-A through Attachment 13-C support the Company's test-
6 year levels for total compensation. Utility and general industry data was
7 used to allow for comparison of NIPSCO and NCSC's compensation to the
8 relevant labor markets in either the North Central region or the energy
9 industry. My supporting attachments are as follows:

10 Attachment 13-A: NIPSCO Non-Union Salary Analysis –
11 compares NIPSCO non-union average base salaries and total
12 cash compensation to the average salaries and total cash
13 compensation paid by North Central utility and general
14 industry companies.

15 Attachment 13-B: NCSC Salary Analysis – compares NCSC
16 average base salaries and total cash compensation to the
17 average salaries and total cash compensation paid by utility
18 and general industry companies in the North Central regions.

19 Attachment 13-C: Non-Union Merit Increase Market Data –
20 compares NIPSCO's granted 2021 and 2022 merit increases
21 for employee groups to national, utility, and regional actual
22 increases in 2021 and projected increases for 2022.

1 **Q13. What are the different groups of employees that you address throughout**
2 **your testimony?**

3 A13. Throughout my testimony, I make reference to three employee groups that
4 exist within NIPSCO. Exempt is the employee group that includes all
5 salaried/management employees. Union is the group whose employment
6 terms and conditions are covered by a bargaining unit agreement.
7 Nonexempt refers to hourly employees not covered by a bargaining unit
8 agreement.

9 **Q14. What is your conclusion about the reasonableness and competitiveness**
10 **of the Company's compensation and benefits package?**

11 A14. The Company's compensation is competitive when compared to the
12 compensation at a similar group of employers in the North Central region
13 of the United States. The Company's benefits are also competitive when
14 compared to a similar group of employers. I provide support for these
15 conclusions throughout the remainder of my testimony.

16 **Q15. Why did you focus on the North Central region in your analysis?**

17 A15. The reason for the comparison to the North Central region is that many
18 NCSC positions are staffed either in Merrillville, Indiana or in Columbus,

1 Ohio, which are both included in the North Central region data. The North
2 Central region specifically includes Idaho, Iowa, Illinois, Indiana, Kansas,
3 Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North
4 Dakota, Ohio, South Dakota, West Virginia, Wisconsin and Wyoming.

5 **IV. UNION COMPENSATION**

6 **Q16. How many bargaining unit contracts exist for represented employees at**
7 **NIPSCO?**

8 A16. NIPSCO has two bargaining unit (union) contracts. They are the United
9 Steelworkers of America Local 12775 (Physical) and the United
10 Steelworkers of America Local 13796 (Clerical).

11 **Q17. How are the Company's union wage rates and benefits established**
12 **through collective bargaining?**

13 A17. Collective bargaining consists of negotiations between an employer and a
14 bargaining unit (union) to establish wages, benefits, and conditions of
15 employment. The result of the collective bargaining process is a collective
16 bargaining agreement that establishes the terms for wages and benefits for
17 affected employees. During the collective bargaining process, NIPSCO
18 assesses changes in the overall compensation packages offered to union

1 employees to ensure that the total compensation and benefits levels remain
2 reasonable and commensurate to other union and non-union employees at
3 similar levels within NiSource. Wherever possible, NIPSCO encourages its
4 union employees to join in the benefit programs offered to non-union
5 employees to streamline the administration of the benefit programs and
6 provide the most value to the employees and their families at the least cost.

7 **Q18. When do wage increases under the bargaining unit contracts take effect?**

8 A18. Both agreements provide for a 3.00% base wage increase on January 1, 2021,
9 3.00% base wage increase on January 1, 2022, and a 3.5% base wage increase
10 on January 1, 2023.

11 **V. NON-UNION COMPENSATION**

12 **Q19. How is base compensation for non-union employees determined?**

13 A19. The base compensation for the Company's non-union employees is
14 measured against base compensation for employees in similar positions at
15 other employers. More specifically, internal NIPSCO and NCSC positions
16 have been compared to external market positions. To establish parity with
17 other employers vying for qualified workers in NiSource's labor markets,

1 base compensation is set within a range that is established around the
2 market median for individual jobs.

3 **Q20. How does the Company establish the range within which non-union base**
4 **pay can fluctuate around the market median?**

5 A20. The established salary range is 75 percent to 125 percent of the market
6 median. This range allows individual leaders to differentiate base pay
7 compensation among employees in similar jobs with varied skills,
8 experiences and level of responsibility.

9 **Q21. How does the Company determine that its compensation is competitive**
10 **with the labor market?**

11 A21. Attachment 13-A compares NIPSCO base salaries and total cash
12 compensation to utility and general industry companies in the North
13 Central region. Attachment 13-B compares NCSC base salaries and total
14 cash compensation to utility and general industry companies in the North
15 Central regions. I will explain in more detail later in my testimony.

1 **Q22. Have you compared the Company's non-union merit adjustments to**
2 **those of other utility and general industry companies to determine if they**
3 **are reasonable?**

4 A22. Yes. Attachment 13-C compares the Company's granted merit increases
5 and the increases projected for employee groups regionally and nationally
6 and for utilities and general industry in 2021 and 2022. The results show
7 that the Company's exempt and non-union, non-exempt merit adjustments
8 are aligned with the actual 2021 and projected 2022 market increases.

9 **VI. INCENTIVE COMPENSATION AND PROFIT SHARING**

10 **Q23. Explain the Company's incentive compensation and profit sharing**
11 **programs that are part of the total rewards program.**

12 A23. As part of the total rewards program explained earlier in my testimony,
13 NiSource maintains two incentive compensation programs and one profit
14 sharing program. The two incentive compensation programs include the
15 annual Short Term Incentive Plan ("STI") and the Long-Term Incentive
16 Plan ("LTI"). The purpose of STI and LTI is to align rewards with the
17 Company's strategic focus surrounding safety, customer, and financial
18 metrics. Participants are eligible to receive incentive awards based upon

1 their performance and the performance of NiSource and the Company. The
2 Profit Sharing Plan is an element of the Company's Retirement Savings Plan
3 and supports employees' saving for retirement.¹

4 **Q24. Is STI an important component of total compensation for NIPSCO and**
5 **NCSC to be effective in recruiting and retaining employees and to drive**
6 **strategic priorities for the Company?**

7 A24. Yes. STI is designed to drive and reinforce strategies important to the
8 Company, which include safety, customer, and financial metrics. Specific
9 goals are included in exempt employees' annual objective plans. These
10 goals are critical in reinforcing key Company initiatives, including goals
11 related to safety, customer, financial, execution, and people oriented
12 initiatives. A recent survey conducted by Aon shows that incentive
13 compensation is an important element of competitive total rewards in the
14 labor market both within the utility industry and the broader general
15 industry. The following is an excerpt from the Highlights and Trends

1 In this case, as further described below, NIPSCO has removed profit sharing (Adjustment
OM 6-23R).

1 section of The Aon 2019 Variable Compensation Measurement ("VCM")

2 Report-U.S. Edition:

3 Even with the changing economic environment variable pay
4 budgets have continued to remain significantly higher than
5 amounts budgeted for salary increases. While salary
6 increases have hovered at or around 3% for the past six years,
7 variable pay budgets have consistently been in double digits.

8 Highlights and Trends

9 Variable pay plans continue to be a critical component of most
10 VCM participants' total compensation offerings. The Aon
11 VCM report continues to support the trend that organizations
12 are increasingly turning to variable pay as a means to attract,
13 retain, and reward performance while traditional merit
14 increase budgets remain at record low levels. In 2019, a
15 median 99% of total US employees who were eligible for at
16 least one type of variable pay actually received an award.

17 Prevalence of Variable Compensation

18 The frequency of companies with at least one broad-based
19 variable pay plan continues to increase since 1994 when we
20 first started recording this information. According to Aon's
21 Salary Increase Survey, in 1995, 59% of U.S. organizations
22 indicated they had at least one broad-based variable pay plan
23 in place. By 2019, 90% of U.S. organizations had implemented
24 a broad-based variable pay plan.

25 Not only have more U.S. organizations in the database
26 introduced broad-based variable compensation in recent
27 years, organizations also have changed the look of their
28 variable pay plans.

29 Individual performance plan measures or modifiers give
30 managers the power to reward and retain their top
31 performers.

1 Therefore, to remain competitive in the labor market, it is important to
2 provide STI compensation as part of total compensation. If the Company
3 maintains a competitive base compensation but does not provide incentive
4 compensation, it follows that total compensation will lag the competition
5 and employees will have larger total compensation opportunities at other
6 employers providing competitive compensation inclusive of incentives.

7 **Q25. Is individual employee performance a factor for STI?**

8 A25. Yes, for exempt (salaried) employees. A portion of each exempt employee's
9 annual total rewards is tied to the performance results of the measures in
10 the STI and individual performance. Under the terms of the incentive plan,
11 a discretionary amount is available to exempt employees based on
12 individual performance as determined by an employee's supervisor. I
13 describe the employee incentive level and performance evaluation process
14 below.

15 **Q26. How are incentive levels and incentive ranges determined under the STI?**

16 A26. Each employee is placed in a job scope level, which is based generally on
17 their responsibility level within the organization. Each job scope level has

1 an associated incentive level and incentive opportunity range, beginning at
2 a threshold or "trigger" level, which provides an incentive of 50 percent of
3 a "target." The incentive opportunity range increases through the "target"
4 level up to the "stretch" level, which provides an incentive of 150 percent
5 of the "target."

6 Here is an example of how incentive levels and ranges are utilized. Front
7 line supervisors are in a job scope level that provides a target incentive
8 opportunity of 12 percent of base pay. The trigger and stretch levels are 50
9 percent below and above the target percentage, respectively. Therefore, the
10 incentive range for a front line supervisor is:

	Trigger	Target	Stretch
11			
12	6%	12%	18%
13			

14 **Q27. How does the incentive level factor into the appropriate level of total cash**
15 **compensation for each employee?**

16 A27. The job scope level structure provides a framework for overall
17 compensation, career advancement and leveling across the enterprise. The
18 incentive opportunity is one component of an employee's total cash
19 compensation, along with base pay, and therefore affects the potential

1 value of total cash compensation. An incentive opportunity range is
2 associated with each broad level, which determines the minimum and
3 maximum incentive payout opportunity as a percentage of base pay for
4 exempt employees and as a percentage of base pay plus overtime and other
5 premium pay for non-exempt employees. The total value of base pay and
6 incentive compensation determines the overall total cash compensation
7 opportunity available to employees.

8 **Q28. How does NIPSCO ensure that employees are committed to meeting the**
9 **needs of customers, such as service quality and service reliability, and**
10 **how does this fit into the incentive program?**

11 A28. The discretionary portion of the STI is based on individual performance
12 linked to goals in safety, customer, financial, execution, and people
13 categories. Performance management is executed through the annual
14 evaluative process embodied in the Objectives Form.

15 A NIPSCO employee's Objectives Form contains annual performance
16 objectives and articulates the means of measuring the employee's progress
17 in relation to the established objectives. Each employee is actively involved

1 in the development of his or her objectives, with input from his or her
2 supervisor, and the employee's progress is reviewed and discussed with
3 the employee periodically throughout the year. The annual performance
4 objectives are also used as an aid in determining the amount of a merit
5 increase for an employee.

6 The use of the objectives process to establish goals to measure employees'
7 performance is important in reinforcing the proper focus on key initiatives
8 and goals designed to continuously remain focused on safety and customer
9 service and reinforce cost containment. Examples of the use of performance
10 objectives and measures that are focused on benefitting customers include:

Objective	Performance Measure
Lead the industry in occupational and public safety performance to fulfill NiSource's customer promise by measurably and efficiently de-risking the business. Exhibit zero tolerance for harm to our employees, contractors, customers, and the public.	Achieve severe injury reduction targets Achieve targets for leading and lagging safety metrics Utilities Group compliance with SMS in Action HCT Communications and Training Achieve functional safety observation goals.
Achieve top quartile customer satisfaction, meet customer expectations as they conduct business according to their	JD Power Score of Top Quartile Customer Satisfaction Score of 90%

changing preferences, build trusted relationships and ensure safety, reliability, value and service.	
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1

2 **Q29. In general, how is incentive compensation awarded?**

3 A29. If incentive plan measures are met, an incentive pool is established. The
4 percentage of an individual employee's base pay that is available for the
5 cash incentive is dependent upon their job scope level. For exempt
6 employees, the employee's individual performance and achievement of
7 predetermined goals as determined by his or her supervisor is also factored
8 into the amount of the incentive awarded. Incentive payments are made in
9 February or March of the year following the year for which performance is
10 measured, e.g., 2021 plan year incentive was paid in 2022.

11 **Q30. Has NIPSCO included incentive plan costs in the budget?**

12 A30. Yes. As it is an important piece to overall total rewards earned by NIPSCO
13 employees, the Company has included in the cost of service and is
14 requesting recovery of the "target" level of expense for all employees.
15 Target is most representative of an expected, normal level of on-going STI

1 expense. The target level represents the annual STI expense as if there were
 2 no adjustments for achieving results above or below expected level of
 3 performance.

4 **Q31. What percent of STI target has NIPSCO historically achieved?**

5 A31. As shown in Figure 1 below, a review of NIPSCO’s 11-year STI payment
 6 history (2011-2021) shows NIPSCO routinely pays above target. The three
 7 below-target years (2018 through 2020) were due to Massachusetts (2018
 8 and 2019) and COVID pandemic related impacts. The payment history
 9 shown for 2021 reflects where NIPSCO has been historically.

STI Plan History												
Percent of Target												
	2011	2012	2013	2014	2015* First Half	2015* Second Half	2016	2017	2018	2019	2020	2021
NIPSCO	128%	122%	122%	131%	65%	105%	117%	149%	75%	73%	50%	111%
Corporate Wide	149%	130%	133%	142%	122%	105%	117%	149%	75%	73%	50%	111%
Executive Only	149%	130%	133%	142%	122%	105%	117%	146%	50%	65%	50%	113%

* Due to split of Columbia Pipeline Group from NiSource, there was a 1/1-6/30 plan and a 7/1-12/31 plan; the second half was based upon total NI results, not business unit results.

10

11 **Q32. Is LTI an important component of total compensation for NIPSCO and**
 12 **NCSC to be effective in recruiting and retaining executive employees?**

13 A32. Yes. As mentioned earlier in this section and as supported by the Aon
 14 survey results, LTI is designed to attract and retain executive talent. LTI
 15 awards are a common element of compensation at key management levels

1 of organizations throughout the United States, including major utilities
2 and, as such, are an important component of total compensation. These LTI
3 awards allow NiSource and the Company to compete in the market to
4 attract and retain individuals at executive levels. It would be difficult for
5 NiSource to accomplish this objective without this element of total
6 compensation.

7 **Q33. Please explain how NiSource awards LTI.**

8 A33. LTI is part of the Company's total rewards package and was in place during
9 the Historic Base Year (the period beginning January 1, 2021 and ending
10 December 31, 2021) and 2022 Budget Period (the period beginning January
11 1, 2022, and ending December 31, 2022). Performance Share Units and
12 Restricted Stock Units are granted to employees at the level of Director and
13 above.² Performance Share Units are vested after achieving specific
14 performance goals that include customer, safety, environmental, diversity,
15 cumulative net operating earnings per share, and relative total shareholder
16 return goals. Restricted Stock Units are vested based upon achievement of

² In 2021, Performance Share Units and Restricted Stock Units were granted to employees at the level of Vice President and above.

1 individual conditions as outlined in an award agreement, which includes
2 restrictions based upon the continued service of the employee.

3 **Q34. Do the Company's LTI awards provide customer benefits?**

4 A34. Yes. As mentioned above, a portion of the LTI awards is directly tied to the
5 achievement of customer, safety, environmental, diversity, and financial
6 goals. For the reasons I have previously described, LTI is a key component
7 of the Company's total rewards program. If the Company is to provide
8 high-quality service to its customers, it is imperative that it be able to attract
9 and retain high quality talent, and to do so, all aspects of the total rewards
10 package, including LTI for executive level employees, must be competitive
11 with other industry employers. If not, the Company places itself at high
12 risk of losing talent to competitors. This would create a loss of valuable
13 skills and would have a significant financial impact in the form of turnover
14 costs, which would ultimately be borne by the Company's customers.

15 **Q35. What are the customer, safety, environmental, and diversity goals?**

16 A35. Examples of goals included in the LTI program are: top decile results in the
17 National Safety Council Barometer Survey, top quartile performance in the
18 J.D. Power Gas Utility and Electric Residential Customer Satisfaction

1 Studies, reduction of greenhouse gas emissions, and improved diversity of
2 the workforce.

3 **Q36. Has the Company included the cost of its LTI Plan in its cost of service?**

4 A36. Yes. The Company has included recovery of the "target" level of expense
5 for all employees in its cost of service. The target level is most
6 representative of an expected, normal level of on-going LTI expense. The
7 target level represents the annual LTI compensation expense as if there
8 were no adjustments for achieving results above or below expected level of
9 performance (target).

10 **Q37. Does the Company have a Profit Sharing Plan?**

11 A37. Yes. Company contributions for Profit Sharing are deposited into
12 employees' Retirement Savings Plan accounts, which provide an important
13 element of employee savings. These contributions to the Retirement
14 Savings Plan have become even more important as more traditional
15 elements of retirement savings, including defined benefit plans, are no
16 longer offered to exempt new hires on or after January 1, 2010, and non-
17 exempt new hires on or after January 1, 2013. Absent these contributions,

1 the Company would have to make other adjustments to its compensation
2 package, such as increases to base pay, to remain competitive in the market
3 for quality employees.

4 **Q38. Has NIPSCO included the costs of its profit sharing plan in the revenue**
5 **requirement in this case?**

6 A38. No. Although it is an important piece to overall compensation earned by
7 NIPSCO employees, NIPSCO Witness Shikany sponsors an adjustment to
8 remove profit sharing (Adjustments OM 6-23R and OM 18-23R).

9 **VII. DETAIL OF COMPARATIVE COMPENSATION ANALYSES**

10 **Q39. Has NIPSCO performed comparative analyses to demonstrate the**
11 **reasonableness and competitiveness of its salaries / wages and total cash**
12 **compensation levels?**

13 A39. Yes. As mentioned previously, utility and general industry data was used
14 to allow for comparison between NIPSCO and NCSC's compensation in the
15 relevant labor markets. Reasonable compensation is defined as
16 salaries/wages and total cash compensation levels being within +/-10% of
17 market based salaries/wages and total cash compensation. The following
18 analyses show that compensation levels for NIPSCO and NCSC are

1 reasonable and competitive when compared with other regional utilities
2 and general industry employers.

3 **Q40. What source material did you rely upon in preparing these analyses?**

4 A40. I used utility and general industry surveys that provided survey job
5 descriptions, a list of participating organizations, a variety of levels in
6 multiple functional areas, clearly defined data elements (i.e., base salary,
7 total cash) and appropriate scope data (i.e., utility industry in the North
8 Central Geographical Region). The survey data, as outlined below, is relied
9 upon by the Company to establish market-driven base pay on an ongoing
10 basis.

A. Comparative Analysis for Non-Union Compensation

11 **Q41. What source material was used in creating Attachment 13-A and**
12 **Attachment 13-B?**

13 A41. I relied on Mercer Benchmark Database, US Mercer Total Compensation
14 Survey for the Energy Sector, Willis Towers Watson American Gas
15 Association (AGA), Willis Towers Watson General Industry Compensation
16 Surveys Results, and Willis Towers Watson General Industry
17 Compensation surveys to develop Attachment 13-A and Attachment 13-B.

1 The surveys provide competitive salary information by region for jobs
2 within the gas utility industry and the general industry. These surveys
3 include salary information from the North Central region.

4 **Q42. Please review the comparative analysis performed in relation to non-**
5 **union total cash compensation.**

6 A42. Attachment 13-A, titled NIPSCO Non-Union Salary Analysis, provides a
7 comparison of NIPSCO's average non-union base salaries and total cash
8 compensation to the average base salaries and total cash compensation of
9 utility and general industry employers in the North Central region of the
10 United States.

11 **Q43. What were the results of your analysis?**

12 A43. Attachment 13-A shows that the average annual base salary paid by the
13 Company for study positions is \$98,411, with total cash compensation of
14 \$102,615, as compared to an average base salary of \$96,718 paid by
15 employers in the North Central region, with average total cash
16 compensation of \$105,459. When compared based on base salary and total
17 cash compensation, the Company is paying at competitive levels for
18 utilities and general industries in the North Central region. Specifically, the

1 Company is 1.8 percent above the market in base pay and 2.7 percent below
2 in total cash compensation. Reasonable compensation is defined as
3 salaries/wages and total cash compensation levels being within +/-10% of
4 market based salaries/wages and total cash compensation. Attachment 13-
5 A demonstrates that NIPSCO's non-union base salaries and total cash
6 compensation are reasonable and competitive.

7 **Q44. Please review the comparative analysis performed in relation to non-**
8 **union salary.**

9 A44. Attachment 13-B, titled NCSC Salary Analysis, provides a comparison of
10 salaries for NCSC staff as compared to utility and general industry salaries
11 in the North Central region and compares average NCSC staff base salaries
12 and total cash compensation to the average salaries and total cash
13 compensation of North Central utility and general industry companies.

14 **Q45. What were the results of your analysis?**

15 A45. Attachment 13-B shows that the average annual base salary paid by NCSC
16 for study positions is \$92,526, and total cash compensation was \$96,016. The
17 average base salary paid by North Central employers is \$94,586, and total

1 cash compensation was \$103,780. NCSC base salaries were 2.2 percent
2 below and total cash compensation was 7.5 percent below companies in the
3 North Central region. Reasonable compensation is defined as
4 salaries/wages and total cash compensation levels being within +/-10% of
5 market based salaries/wages and total cash compensation. Even though the
6 Company is slightly lagging the market in total cash compensation,
7 Attachment 13-B demonstrates that NCSC's base salaries and total cash
8 compensation are reasonable and competitive.

B. Performance Adjustments (Merit Increases)

9 **Q46. Did the Company and NCSC grant performance adjustments to non-**
10 **union employees in 2021 and 2022, and are these costs included in the**
11 **cost of service?**

12 A46. Yes. As shown in Attachment 13-C, non-union employees of the Company
13 and NCSC received a 3.0 percent annual performance / merit increase in
14 2021 and 2022.

15 **Q47. What source material was used in creating Attachment 13-C?**

16 A47. I relied upon two survey sources that covered many companies within the
17 utility and general industry sectors and provided median merit increase

1 information. These surveys were the 2021-2022 Salary Budget Survey by
2 WorldatWork and 2021-2022 Willis Towers Watson Salary Budget Planning
3 Report July Edition.

4 **Q48. Please review the comparative analysis performed in relation to non-**
5 **union performance / merit adjustments.**

6 A48. Attachment 13-C, titled Non-Union/Merit Increase Market Data, provides
7 a comparison of the Company's merit increases, for non-union employees
8 in 2021 and 2022, to those for other utilities and general industry employers.

9 **Q49. What were the results of your analysis?**

10 A49. Attachment 13-C shows that the Company's merit increases in 2021 and
11 2022 were at market with other companies nationally and within the utility
12 industry.

13 **VIII. EMPLOYEE BENEFITS**

14 **Q50. What are the benefits offered by the Company to attract and retain**
15 **qualified employees?**

16 A50. Benefits are an important component of any compensation structure and
17 are necessary to ensure the Company is able to attract and retain qualified

1 employees. The Company's benefit plans correspond to the plans offered
2 throughout the NiSource system, including health and welfare plans
3 (health care coverage, dental coverage, vision care, term life insurance and
4 disability insurance), retirement savings plans, and paid time off (vacation,
5 holiday and sick pay).

6 **Q51. How do the Company and NCSC ensure the reasonableness and**
7 **competitiveness of its benefit offerings?**

8 A51. With regard to employee benefits, NCSC ensures their reasonableness and
9 competitiveness of the level of such benefits by periodically comparing
10 them, at an individual plan level and as a package, against the benefit
11 programs of other employers. As part of this process, the benefits offered
12 by the Company through its affiliation with NiSource are compared to the
13 benefits offered at energy companies, including investor-owned utilities.
14 The total value and the employer-paid portion of the benefits are rated on
15 a standardized value scale that reflects the deviation of the NiSource
16 primary benefit offerings from the average offered by other employers.

17 **Q52. Is it necessary to provide health care and dental coverage to employees?**

1 A52. Yes. Health care coverage, including dental care coverage, is important to
2 Company employees and their families. The Company's experience has
3 demonstrated that quality health care and dental coverage helps to attract
4 and retain employees and encourages longevity with the Company.
5 Therefore, health care and dental coverage plans are offered to all
6 employees of the Company, from field personnel to executives.

7 **Q53. Does the Company incur its own health care and dental care costs or are**
8 **these costs incurred by NCSC on behalf of the Company?**

9 A53. NCSC obtains and incurs the costs associated with health care coverage for
10 Company employees and retirees.

11 **Q54. How does NCSC obtain such coverage?**

12 A54. Benefit coverage is competitively bid through a request-for-proposal
13 process. Proposals are solicited from insurance carriers and/or third party
14 administrators. These proposals are reviewed, and finalists are selected
15 based upon the financial stability of the carrier or third-party administrator,
16 the breadth of its provider network, network provider discounts,
17 administrative capabilities, and price. Finalists are interviewed and further

1 negotiations take place regarding pricing for the services offered. Carriers
2 and third-party administrators are selected based upon their ability to
3 provide quality service in the most cost-efficient manner.

4 **Q55. How has the Company attempted to reduce and control its health care**
5 **costs?**

6 A55. NCSC, on behalf of the Company, has undertaken many initiatives to limit
7 the cost of providing health and dental care to Company employees. NCSC
8 continues to review plan coverage and to search for more efficient ways to
9 offer and administer plan coverage. More costly health care indemnity
10 plans have been replaced with more efficient preferred provider
11 organization ("PPO" and "High Deductible ("HD") PPO") plans, and the
12 Company self-insures many of its plans, which reduces underwriting
13 margins. Plans that offer coverage through provider networks are used as
14 often as possible to take advantage of provider discounts. Opt-out credits
15 are paid to those employees who have alternative health care coverage and
16 elect not to participate in the plans. These credits are offered at a fraction
17 of the cost that would otherwise be required to provide coverage for the
18 employees who opt-out. Such programs have been offered to both union

1 and non-union employees. Additionally, the Company offers two high
2 deductible PPOs and a health savings account for participants in these two
3 high deductible plans. As with other parts of its business, the Company
4 enjoys some purchasing power due to its affiliation with NiSource in order
5 to ensure competitive rates from its carriers. In addition, corporate-wide
6 programs offer a larger pool of covered participants, which provides for a
7 larger spread of risk. The larger risk pool helps contain increases in health
8 and dental care costs.

9 **Q56. How are costs of the health care plans determined?**

10 A56. NCSC engages a consultant to help determine the estimated cost of health
11 care plans for the upcoming year. NCSC self-insures many of its plans,
12 which means that the Company's actual plan experience is used to
13 determine estimates of future costs.

14 The Company's consultant uses underwriting techniques, based on
15 actuarial guidelines, to project the future plan's costs for the self-funded
16 plans. The key factor in projecting future results is the prior experience of
17 a group, especially when the group consists of a large population. This

1 experience is specific to NiSource's entire covered population. The process
2 of forecasting past claims experience into the future takes into account plan
3 designs, trends and group credibility. Adjustments to methodology may
4 be made in certain situations. Examples of situations that may result in an
5 adjustment include changes to plan design, significant increases or
6 decreases in the covered population due to acquisitions or divestitures, or
7 when specific language is negotiated in a collective bargaining agreement.
8 These processes are widely accepted with the insurance market as the
9 standard to establishing budget and premium levels that are appropriate to
10 cover future risks.

11 **Q57. Please explain trend and group credibility.**

12 A57. The primary components of the medical trend include the following:

- 13 • Inflation in unit prices for the same services
- 14 • Changes in utilization of the same services
- 15 • Out-of-pocket leveraging
- 16 • New technology/services (increases or decreases depending on the
17 mix and cost of services)
- 18 • Cost shifting from public payors (Medicare and Medicaid) to private
19 plan payors
- 20 • Population aging

1 The trend factors used in the projections fall within the framework
2 established by the Actuarial Standards Board of the American Academy of
3 Actuaries, which has responsibility for the development of actuarial
4 standards of practice used by all professional organizations.

5 Credibility reflects a degree of confidence and accuracy in using the past
6 group's specific information in projecting future costs. A mixture of the
7 size of the group and the period of time the data reflects determines a
8 group's credibility. Generally, the larger the group and/or the longer the
9 period of available historical information, the greater the degree of
10 confidence and accuracy of using a past group's specific data to project the
11 future costs. NiSource working rates are projected using experience based
12 on over 3,000 member life years. This amount of experience is fully credible
13 based on generally accepted actuarial guidelines.

14 **Q58. How does the Company assess how its employee benefit programs**
15 **compare to other companies?**

16 A58. On behalf of the Company, NCSC through Aon performs a benefit index
17 study to compare benefits at a program level and as a package against the

1 benefit programs of a market basket of similar offerings at other employers.

2 The standard Company benefit offerings are compared to the benefits

3 offered at other energy companies, including investor-owned utilities. The

4 most recent study was conducted in January 2022 by Aon.

5 Company employees share in a percentage-of-cost basis in the cost of the

6 health plans made available to them. The percentage of the costs employees

7 share is 25% for non-exempt non-union, while exempt employees pay 30%

8 of the costs. For employees in the bargaining units, their percentage cost

9 share is 25% and is subject to collective bargaining.

10 **Q59. What were the results of the latest Aon study regarding NiSource and the**
11 **Company's benefits offerings?**

12 A59. The study shows that the overall employer-paid value of NiSource's

13 benefits plans is 6.8 percent below the median of the selected energy

14 industry cohort. The Company has concluded from the results of the study

15 that its benefits are reasonable as compared with the offerings from other

16 employers in the labor markets.

17 **Q60. Has the Company pursued any benefit cost containment measures?**

1 A60. Yes. The Company has pursued a number of cost containment measures to
2 help control the cost of providing health and retirement benefits to its
3 employees.

4 • The Company has eliminated costly indemnity and HMO plans,
5 increased PPO medical plan deductibles, co-pays and co-insurance
6 and has actively promoted and increased enrollment in effective cost
7 containment and cost share high deductible medical plans.

8 • The Company self-insures many of its health plans, utilizing
9 Anthem as its benefits administrator, which reduces underwriting
10 margins.

11 • Anthem's medical provider network provides very competitive
12 medical provider discounts for its PPO and HDPPPO self-insured
13 plans compared to other national carriers.

14 • Introduced an Anthem Integrated Health Management system that
15 provides registered nurse counseling to employees and dependents
16 for the most cost efficient and effective medical treatment options.

1 • The Company has converted from a Final Average Pay pension
2 formula to a less costly Account Balance pension formula. This
3 conversion for nonexempt, non-union employees was effective
4 January 1, 2013, and for union employees varies from January 1, 2013
5 through 2015. Exempt employees were converted on January 1,
6 2010.

7 • Eliminated pension and post-retiree medical and life insurance for
8 the majority of new hires and replaced with a more shared company
9 and employee subsidy, 401k plan and health savings account
10 retirement savings model. This took place for exempt employees
11 effective January 1, 2010, non-exempt nonunion effective January 1,
12 2013, and for union employees from January 1, 2011 through January
13 1, 2014.

14 **IX. CONCLUSION**

15 **Q61. What is your conclusion about the reasonableness and competitiveness**
16 **of the Company's compensation and benefits package?**

17 A61. As supported throughout my testimony and attachments, the Company's
18 compensation and benefits are competitive when compared to the

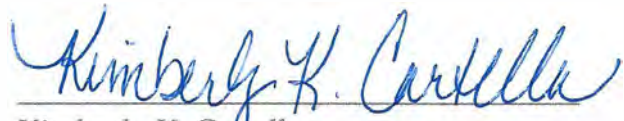
1 compensation at a similar group of employers, and this total compensation
2 is reasonable and supports the ability to attract and retain talented
3 employees.

4 **Q62. Does this conclude your prefiled direct testimony?**

5 A62. Yes.

VERIFICATION

I, Kimberly K. Cartella, Director of Compensation of NiSource Corporate Service Company, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Kimberly K. Cartella

Date: September 19, 2022

NIPSCO Non-Union Salary Analysis¹
Comparison of NIPSCO Non-Union Base Salaries & Total Cash Compensation to Survey Data in the North Central Region

<u>Job Title</u> (2)	<u>NIPSCO Annual Base Salary</u>	<u>NIPSCO Annual Total</u>	<u>Survey Annual Base</u>	<u>Survey Annual Total</u>
	<u>(Average)</u> (3)	<u>Cash Compensation</u> <u>(Average)</u> (3), (4)	<u>Salary (Average)</u> (5)	<u>Cash Compensation</u> <u>(Average)</u> (5)
Assigner	\$60,865	\$62,162	\$64,055	\$67,015
CIP Systems Specialist 1	\$79,362	\$81,634	\$79,123	\$84,529
Communication & Control Engineer 3	\$109,340	\$113,367	\$112,123	\$123,210
Construction Coordinator 2	\$81,041	\$83,044	\$71,441	\$73,191
Engineer Level I	\$76,325	\$77,799	\$71,674	\$76,347
Engineer Level II	\$86,325	\$89,323	\$83,316	\$89,074
Engineer Level III	\$100,063	\$103,799	\$102,087	\$109,804
Leader Field Engineering	\$125,578	\$131,767	\$124,862	\$133,784
Leader Field Operations	\$102,085	\$106,486	\$104,592	\$115,470
Manager Operations	\$129,434	\$138,719	\$127,319	\$146,309
Manager Project	\$140,497	\$151,106	\$140,395	\$158,609
Project Manager	\$96,637	\$100,447	\$84,653	\$91,309
Scheduling Leader	\$84,340	\$88,397	\$75,192	\$77,884
Sr Engineer	\$115,874	\$120,501	\$117,696	\$128,998
Sr New Business Specialist	\$76,793	\$79,807	\$93,339	\$102,077
Supervisor Operations	\$102,341	\$106,819	\$112,450	\$124,988
Technical Trainer 2	\$92,459	\$95,381	\$73,880	\$78,020
Technical Trainer 3	\$101,571	\$105,507	\$86,175	\$93,391
Transmission System Supervisor	<u>\$108,879</u>	<u>\$113,615</u>	<u>\$113,263</u>	<u>\$129,721</u>
Overall Average	\$98,411	\$102,615	\$96,718	\$105,459
% Above/(Below) Market			1.8%	-2.7%

Footnotes

(1) Northern Indiana Public Service Company Data as of 12/31/21.

(2) These jobs were utilized because the Company had multiple incumbents matched to the job title on 12/31/21.

(3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NIPSCO employees matched to the NiSource job title and dividing the aggregate result by the number of NIPSCO employees matched to the title.

(4) Total Cash Compensation equals base salary plus actual incentive paid to employees.

(5) Survey data shown is from the 2021 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2021 and includes companies from the North Central region, which consists of the following states:

Mercer: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, West Virginia, Wisconsin and Wyoming

Willis Towers Watson: Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin and Wyoming

NCSC Salary Analysis¹
Comparison of NCSC Base Salaries & Total Cash Compensation to Survey Data in the North Central Region

<u>Job Title</u> (2)	NCSC		North Central Region	
	<u>Annual Base Salary</u> (Average) (3)	<u>Annual Total Cash</u> <u>Compensation (Average)</u> (3), (4)	<u>Survey Annual Base</u> <u>Salary (Average)</u> (5)	<u>Survey Annual Total Cash</u> <u>Compensation (Average)</u> (5)
Assigner	\$49,502	\$49,743	\$64,055	\$67,015
Assigner 1	\$49,157	\$50,249	\$60,754	\$63,781
Associate Gas System Design Engineer 1	\$82,731	\$84,170	\$71,674	\$76,347
Associate Gas System Design Engineer 2	\$82,719	\$84,644	\$83,316	\$89,074
Executive Administrative Assistant	\$71,129	\$72,545	\$68,226	\$70,920
Communications Manager	\$97,676	\$101,177	\$111,289	\$123,684
IT Ops Analyst	\$75,769	\$77,673	\$86,191	\$88,580
Lead Business Analyst	\$115,743	\$120,186	\$122,647	\$132,845
Lead Financial Analyst	\$100,315	\$104,399	\$107,618	\$118,164
Lead IT Ops Analyst	\$111,842	\$115,936	\$121,208	\$133,265
Manager Human Resources	\$130,817	\$136,730	\$118,021	\$131,051
Manager IT	\$151,375	\$159,105	\$127,609	\$144,720
Manager Training	\$109,728	\$116,266	\$116,296	\$130,660
Manager Gas Operations	\$112,651	\$120,062	\$127,319	\$146,309
New Business Rep Senior	\$69,455	\$72,114	\$91,820	\$113,252
Principal Engineer	\$127,035	\$132,259	\$124,862	\$133,784
Quality Assurance Specialist	\$52,112	\$53,166	\$61,608	\$64,856
Safety Program Specialist	\$83,091	\$85,330	\$84,175	\$89,255
Scheduling Leader	\$69,901	\$72,738	\$74,192	\$77,884
Sr Counsel	\$168,838	\$178,063	\$138,879	\$154,301
Sr Customer Service Rep	\$54,912	\$55,784	\$41,821	\$43,149
Sr Financial Analyst	\$78,436	\$80,381	\$79,822	\$85,020
Sr IT Ops Analyst	\$92,610	\$95,609	\$103,337	\$111,209
Sr New Business Dev Mgr	\$85,760	\$89,946	\$102,425	\$127,262
Sr Standards Engineer	\$111,638	\$116,006	\$117,696	\$128,998
Team Leader CCC	\$65,371	\$67,675	\$81,505	\$89,034
Technical Trainer 2	\$90,342	\$92,817	\$73,880	\$78,020
Technical Trainer 3	<u>\$100,072</u>	<u>\$103,664</u>	<u>\$86,175</u>	<u>\$93,391</u>
Overall Average	\$92,526	\$96,016	\$94,586	\$103,780
% Above/(Below) Market - North Central			-2.2%	-7.5%

Footnotes

- (1) NiSource Corporate Service Company Data as of 12/31/2021.
- (2) These jobs were utilized because the Company had multiple incumbents matched to the job title on 12/31/2021.
- (3) The average annual base salary and total cash compensation were calculated by aggregating the annual base pay and total cash compensation of all NCSC employees matched to the NiSource job title and dividing the aggregate result by the number of NCSC employees matched to the title.
- (4) Total Cash Compensation equals base salary plus actual incentive paid to employees.
- (5) Survey data shown is from the 2021 Mercer Benchmark Database (MBD), US Mercer Total Compensation Survey for the Energy Sector (MTCS), Willis Towers Watson American Gas Association (AGA), Willis Towers Watson General Industry Compensation Surveys Results (CSR), and Willis Towers Watson CDB General Industry Compensation Survey surveys. Survey data is aged to December 31, 2021 and includes companies from the North Central region, which consists of the following states (this regional data was used because this region contains a majority of the NCSC employees):
Mercer: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, West Virginia, Wisconsin and Wyoming
Willis Towers Watson: Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin and Wyoming

Non-Union Merit Increase Market Data

	<u>Actual 2021</u> <u>% Merit Increase</u> <u>(Median)</u>	<u>Projected 2022</u> <u>% Merit Increase</u> <u>(Median)</u>
2021-2022 WorldatWork Salary Budget Survey		
<i>National</i>		
<i>Officers & Executives</i>	3.0%	3.0%
<i>Exempt Salaried</i>	3.0%	3.0%
<i>Non-Exempt Salaried</i>	3.0%	3.0%
<i>Non-Exempt Hourly Nonunion</i>	3.0%	3.0%
<i>Utilities</i>		
<i>Officers & Executives</i>	3.0%	3.0%
<i>Exempt Salaried</i>	3.0%	3.0%
<i>Non-Exempt Salaried</i>	3.0%	3.0%
<i>Non-Exempt Hourly Nonunion</i>	3.0%	3.0%
2021-2022 Willis Towers Watson Salary Budget Planning Report July Edition		
<i>Overall Merit Increase</i>	3.0%	3.0%
<i>Executive</i>	3.0%	3.0%
<i>Middle Management and Professionals</i>	3.0%	3.0%
<i>Support Staff</i>	3.0%	3.0%
<i>Production and Manual Labor</i>	3.0%	3.0%
<i>Energy - Merit Increase</i>		
<i>Overall Merit Increases</i>	3.0%	3.0%
<i>Executives</i>	3.0%	3.0%
<i>Middle Management and Professional</i>	3.0%	3.0%
<i>Support Staff</i>	3.0%	3.0%
<i>Production and Manual Labor</i>	2.8%	3.0%
NiSource		
Executive	<u>Actual</u> 3.0%	<u>Actual</u> 3.0%
Director	3.0%	3.0%
All Other Exempt	3.0%	3.0%
Non-Exempt & Nonunion Hourly	3.0%	3.0%